

Drinking Water Treatment  
Revolving Loan Fund  
Intended Use Plan for  
The State of Hawaii  
Fiscal Year (SFY) 2003  
and  
The Federal Fiscal Year  
(FFY) 2002 Appropriation

Submitted to the  
U.S. Environmental Protection Agency  
Region 9  
by the  
State of Hawaii

State of Hawaii  
Department of Health  
Environmental Management Division  
Safe Drinking Water Branch  
Wastewater Branch  
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## I. Introduction

The State of Hawaii, Department of Health (DOH) developed this Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2003. This IUP is submitted to the Environmental Protection Agency (EPA) as part of the DOH's application for the Drinking Water State Revolving Fund (DWSRF) Federal Fiscal Year (FFY) 2002 Capitalization Grant Appropriation.

The Drinking Water State Revolving Fund (DWSRF) was established by Congress with the passage of Federal amendments to the Safe Drinking Water Act (SDWA) in 1996 (Public Law 104-182). Appropriations of \$1 billion per year through 2003 have been authorized to help finance drinking water infrastructure projects necessary for public water systems (PWSs) to attain and maintain compliance with SDWA requirements and to further the health protection objectives of the SDWA.

On May 2, 1997, Hawaii's Governor signed legislation to establish the Drinking Water Treatment Revolving Loan Fund (DWTRLF) (Act 218/97) in the State of Hawaii. The DWTRLF program (which is also referred to as DWSRF) complies with the provisions of the SDWA, section 1452, for the State of Hawaii.

Hawaii's DWSRF program is administered jointly by the DOH, Environmental Management Division, Safe Drinking Water Branch (SDWB) and Wastewater Branch (WWB). Administration is in accordance with Hawaii Revised Statutes, Chapter 340E, Hawaii Administrative Rules, Chapter 11-65, and a Memorandum of Agreement between the SDWB and WWB.

## II. DWSRF Program Overview

From FFYs 1997 through 2001, EPA approved capitalization grants totaling \$42,690,000 to be utilized by Hawaii's DWSRF Program. Of this total grant amount, \$9,948,376 has been set aside for activities relating to the administration of the loan program and to support other drinking water program initiatives. The remaining grant monies, \$32,741,624, have been deposited into the "Loan Fund," and will be used to finance loans for eligible DWSRF projects. In addition, Section 1452(e) of the SDWA mandates that the State must deposit into the Loan Fund an amount from State monies equaling at least 20% of each capitalization grant payment. State Match appropriations for this period totaled \$9,137,000.

<b>DWSRF Loan Fund Overview</b> (June 30, 2002)	<b>Federal Fiscal Years 1997-2001</b>
DWSRF Capitalization Grants	\$42,690,000
Less Set-Aside Funds*	(9,948,376)
State Match Appropriations	9,137,000
<b>Total DWSRF Loan Fund</b>	<b>\$41,878,624</b>

\* See Set-Asides Overview for itemization.

A total of \$12,052,006 has already been used to finance construction projects, with an additional \$9,855,803 being formally committed to pending DWSRF loans.

Additional loan commitments are anticipated for several other eligible drinking water projects and loan applications for these projects are currently being processed.

States must maintain separate and identifiable accounts for the portion of its capitalization grants that will be used for Set-Aside Activities. To date, a total of \$9,948,376 has been set aside for these activities as shown below.

<b>Set-Asides Overview (June 30, 2002)</b>		
<b>SDWA Set-Aside Reference</b>	<b>Set-Aside Activity</b>	<b>FFY 1997-2001 Set-Aside Funds</b>
Section 1452 (g) (2) - (4%)	DWSRF Administration Fund	\$1,707,600
Section 1452 (g) (2) - (10%)	State Program Management	4,269,000
Section 1452 (g) (2) - (2%)	Small Systems Technical Assistance	853,800
Section 1452 (k) - (15%)	Local Assistance and Other State Programs	3,117,976
<b>Total Set-Asides for FFY 1997-2001</b>		<b>\$9,948,376</b>

### III. Purpose of the Intended Use Plan

This Intended Use Plan (IUP) is a vital component of Hawaii's DWSRF FFY 2002 Grant Application and serves to convey the program's plan to interested parties which may include owner's of public water systems, the general public, the EPA, and other state agencies or departments.

DWSRF program plans for SFY 2003 are based on the anticipated award of the FFY 2002 Federal Capitalization Grant of \$8,052,500 from EPA and receipt of \$1,551,000 appropriated by the 2001 State Legislature for use as the state match. This IUP intends to impart information regarding the utilization of these mentioned funds as well as all additional monies generated from other program sources during this SFY period. Details on key aspects of the program, including the long and short term goals, the priority setting criteria, and a listing of projects, are included in this IUP.

This IUP for SFY 2003, when finalized and approved, will replace the previous intended use plan for SFY 2002. An IUP is written annually for each State Fiscal Year.

### IV. Long and Short Term Goals

In establishing the national DWSRF program, Congress gave the States the flexibility to design a program that can be tailored to meet the needs of the local public water systems. The long and short term goals for Hawaii's DWSRF program are presented below. They provide a framework for the direction of Hawaii's DWSRF program.

#### A. Long Term Goals

1. To assist as many water purveyors as possible to attain compliance with State and Federal Drinking Water Regulations through the low interest loan program.
2. To maintain the DWSRF Program in perpetuity.
3. To develop a linked deposit or other program to assist in financing improvements to privately owned public water systems.

B. Short Term Goals

1. Initiate development of a program to obtain deficiency and compliance information from the Safe Drinking Water Branch and Public Water Systems to identify potential projects which will assist in protecting the public health and environment, protect the drinking water of the state and may encourage consolidation of small water systems with larger water systems.
2. Continue development of a system to track the currently required tracking items which may include accounting, management, set-asides, compliance and customer service concerns.
3. Initiate modification of the Functional Procedures to reflect and meet the DWSRF requirements and needs.
4. Continue to integrate the Capacity Evaluation program with the DWSRF loan program.

V. DWSRF Financial Information

A. DWSRF Capitalization Grant for FFY 2002

For FFY 2002, Congress has appropriated \$850,000,000 for the national DWSRF program. Subtracting National Set-Asides of \$44,750,000 from the original appropriation leaves \$805,250,000 for individual state programs. Based on the latest Drinking Water Needs Survey, Hawaii's share for FFY 2002 is 1% of the total allotment for state programs, or \$8,052,500.

Hawaii's DWSRF is proposing to set aside 31% (\$2,496,275) of the FFY 2002 capitalization grant to administer the DWSRF program and develop and implement other SDWA initiatives as described in the Set-Aside Activities section of this IUP. The remaining \$5,556,225 of the grant and the appropriate State Match amount will be dedicated for funding eligible construction projects as noted in the Priority List section of this IUP.

B. DWSRF Project Eligibility

The DWSRF program will fund drinking water projects which are eligible for DWSRF consideration. The project categories include:

- Projects to correct acute health problems;
- Projects to correct chronic health problems; and
- Projects to meet other public health criteria.

C. Financing Guidelines for Government (State and County) Owned Public Water Systems:

Hawaii's DWSRF program will provide low interest loans for construction of eligible drinking water projects within the state. Project priority will be determined by program guidelines as detailed in Section VII, "Priority List and Project Selection Procedures" in this IUP.

In most cases, loans to eligible projects are made under the terms and conditions effective at the time of financing. The following guidelines are currently in place at this time.

- Loans to eligible projects, using the currently available DWSRF funds, can be for 100% financing of the allowable project costs.
- Loan repayment periods will be limited to a maximum of 20 years, with repayment installments to be made semi-annually.
- DWSRF loan rates will remain fixed over the life of the loan.
- The DWSRF loan rate will be based on the current annual rate of the weekly Bond Buyers 20-year General Obligation index bond interest rate less a percentage rate of one per cent (1.0%) at the time a loan commitment is issued. In the event that the annual rate of the weekly Bond Buyers 20-year General Obligation index bond interest rate less a percentage rate of one per cent (1.0%) falls below three and twenty-five one hundredths per cent (3.25%), the rate shall be three and twenty-five one hundredths per cent (3.25%).

- The interest portion of this DWSRF loan rate will be the annual DWSRF loan rate established above, less three and twenty-five one hundredths per cent (3.25%).
- Administrative loan fees will be equivalent to the outstanding principal balance of the loan multiplied by an annual rate of three and twenty-five one hundredths per cent (3.25%), to be computed based on, and be payable on, the same dates that corresponding repayments of the principal and interest on the loan are due.
- The principal amortization for most DWSRF loans will begin one year after the Notice to Proceed (NTP) or the date of the final loan agreement, whichever is later.

D. Financing Policies for Privately Owned Public Water Systems:

The Department is currently reviewing the feasibility of implementing a linked deposit or other program to assist privately owned Public Water Systems.

- Loans to eligible projects will be based on current commercial lending practices.
- The terms of the loans will not exceed twenty years.

The Department has submitted a bill to the 2002 State Legislature to establish a linked deposit program. This bill would allow the Department to provide interest rate subsidies by depositing revolving fund monies into interest bearing accounts in participating financial institutions who would in turn issue loans to public water systems for implementation of projects under the DWSRF program. The bill was passed on April 30, 2002 by the Legislature and is awaiting Governor's signature.

E. Status of DWSRF Funds

Sources of DWSRF Funds, found in Appendix A, identifies Hawaii's total funding sources for SFY 2003. This report is based on the DWSRF program's receipt of:



- The issuance of the expected FFY 2001 Federal Capitalization Grant totaling \$7,789,100 prior to June 30, 2002;
- The anticipated FFY 2002 Federal Capitalization Grant totaling \$8,052,500;
- The projected State Match provided by the 2001 State Legislature to total \$1,551,000;
- The estimated uncommitted DWSRF funds at June 30, 2002 projected to total \$21,786,748.14;
- The projected DWSRF loan repayments in SFY 2003 projected to total \$602,352.32; and
- Loan Fees.

On May 17, 2000, the State adopted Chapter 11-65, Hawaii Administrative Rules, entitled "Environmental State Revolving Funds." These rules establish fees for loans and other financial assistance from the DWSRF. There are two classes of loan fees:

(1) Program Fees: The State utilizes Program Fee monies only to cover DWSRF program administrative costs. Administrative activities include the costs of processing, issuing and servicing loans, supporting engineering services, financial and legal consulting fees, reimbursement for support services from the State, and other DWSRF activities.

Program Loan Fees collected (SFY01)	\$152,204.34
Actual Expenses incurred (SFY01)	\$ -0-
(Based on State of Hawaii FAMIS)	

Program Loan Fees projected (FY02)	\$157,638.23
Program Loan Fees projected (FY03)	\$210,889.16

(2) Non-Program Fees: The State may utilize Non-Program Fees to primarily support DWSRF Administration activities, secondary to support the DWSRF loan fund, and then if available or applicable to support the Public Water System Supervision Program (PWSSP) and other Safe Drinking Water Branch activities.

Non-Program Loan Fees collected(SFY01) \$100,207.50  
 Actual Expenses incurred (SFY01) \$ -0-  
 (Based on State of Hawaii FAMIS)

Non-Program Loan Fees projected(FY02) \$ 95,876.53  
 Non-Program Loan Fees projected(FY03) \$ 91,314.16

The current annual loan fee rate is three and twenty-five one hundredths percent (3.25%) of the outstanding principal balance of the loan.

#### VI. Set-Aside Activities

The SDWA allows each state to set aside up to 31 percent of its federal capitalization grant to support various drinking water program activities including administration, technical assistance, state program management and other special activities. Hawaii will set aside 31 percent (\$2,496,275) of the FFY 2002 capitalization grant to be used as described in the narrative below. Hawaii will submit detailed workplans to EPA for approval before funds are expended on these activities. Hawaii will report on the progress of these set-aside activities to EPA in the annual performance status reports.

Set-Asides Overview		
SDWA Set-Aside Reference	Set-Aside Activity	FFY 2002 Capitalization Grant Funds
Section 1452 (g) (2) - (4%)	DWSRF Administration Fund	\$322,100
Section 1452 (g) (2) - (10%)	State Program Management	805,250
Section 1452 (g) (2) - (2%)	Small Systems Technical Assistance	161,050
Section 1452 (k) - (15%)	Local Assistance and Other State Programs	1,207,875
<b>Total Set-Asides Capitalization Grant</b>		<b>\$2,496,275</b>

##### A. DWSRF Administration Fund (4%)

Section 1452(g) (2) of the SDWA allows up to 4 percent

of the DWSRF Capitalization Grant to be set aside for administration of the DWSRF program. Hawaii will set aside 4 percent (\$322,100) of the capitalization grant this year.

Administrative functions include the development, implementation and review of DWSRF program processes and documentation needs that may include, but are not limited to, financial, managerial, and legal consultation, DWSRF set-aside and funds accounting, application review, public assistance, audits, information system maintenance, record retention and filing, environmental review, development of the IUP and priority list, budget, workplan, plans and specifications review and approval, construction inspections and staff training. Funds under this set-aside that are not obligated within one fiscal year after receiving the capitalization grant will be banked in the Administrative Set-Aside account and used for administrative expenses in the later years.

B. State Program Management (10%)

Section 1452(g)(2) of the SDWA allows up to 10 percent of the DWSRF Capitalization Grant to be set aside to support Public Water System Supervision (PWSS) program activities and other initiatives of the SDWA. Hawaii will set aside 10 percent (\$805,250) of the capitalization grant this year to support these activities.

Activities covered under the State Program Management set-aside include, but are not limited to, Public Water System Supervision program activities, capacity development, operator certification, sanitary surveys and upgrade and maintenance of the State Laboratory equipment. Funds under this set-aside that are not obligated within one fiscal year after receiving the capitalization grant will be banked in the respective State Program Management Set-Aside account and used for the respective program activities in future years or may be returned to the DWSRF loan fund.

The SDWB will meet the deadline for implementing the Operator Certification program and expects to receive the full FFY 2001 Federal Capitalization Grant by June 30, 2002. The SDWB has also met the implementation program deadlines for the Capacity Development program

and will not receive any penalties in the current grant.

C. Small Systems Technical Assistance (2%)

Section 1452(g)(2) of the SDWA allows up to 2 percent of the DWSRF Capitalization Grant to be set aside to support Small Systems Technical Assistance activities. Hawaii will set aside 2 percent (\$161,050) of the capitalization grant this year to support these activities.

These funds will be used to provide assistance to public water systems serving fewer than 10,000 people or 89% of the public water system. Activities under this set-aside include helping systems prepare their DWSRF loan applications, assistance with improving their technical, financial, and managerial capability, training, and planning. Funds under this set-aside that are not obligated within one fiscal year after receiving the capitalization grant will be banked in the respective Small Systems Technical Assistance account and used for the respective activities in future years or may be returned back to the DWSRF loan fund.

D. Local Assistance and Other State Programs (15%)

Section 1452(k) of the SDWA allows up to 15 percent of the Capitalization Grant to be set aside to support Local Assistance and Other State Programs. Hawaii will set aside 15 percent (\$1,207,875) of the capitalization grant this year to support these activities.

Activities under this set-aside include, but are not limited to, wellhead protection, capacity development, source water delineation and assessment and other activities noted in SDWA Section 1452(k). Funds under this set-aside that are not obligated within one fiscal year after receiving the capitalization grant or defined in an approved workplan will be returned back to the DWSRF loan fund.

VII. Priority List and Project Selection Procedures

A. Priority List

Any project considered for funding must be listed on

the current Project Priority List. The DWSRF Priority List of Projects for SFY 2003 is presented in Appendix B. In November of 2001, the Safe Drinking Water Branch, DWSRF Program, sent an invitation to all water purveyors within the State to submit proposed project for DWSRF funding applications. The deadline for applications was December 15, 2001. The Priority List was developed by evaluating the projects based on the Project Selection Procedures and DWSRF Rating Criteria.

The priority ranking system is applicable for projects to be funded through the DWSRF program. Amendments to the priority selection procedures and rating criteria will be considered as appropriate to reflect the changing character of the program. The DWSRF Project Rating Criteria is found in Appendix C.

#### B. Project Selection Procedures

The State of Hawaii utilizes a ranking system to establish the order in which eligible projects will be financed. Projects are ranked based on the relative impact of the project in achieving the objectives of the Safe Drinking Water Act (SDWA). In general, priority is given to current construction projects that facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the SDWA.

The Priority List is developed and updated each year and placed in the Intended Use Plan. The Intended Use Plan is then made available for public review and comment each year.

As required by the Safe Drinking Water Act Amendments of 1996, the priority ranking system attempts to assign the highest priority to those projects which:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the requirements of the Safe Drinking Water Act; and
3. Assist systems most in need, on a per household basis.

Projects are ranked against all other projects

competing for funds using the DWSRF Project Rating Criteria. While points are primarily assigned on a basis of the health problems or SDWA compliance issue being addressed by a project, a final criteria is reserved for determining the priority of eligible projects with the same point totals.

The SDWA amendments of 1996 require that 15% of the monies available for funding projects each fiscal year must go to public water systems that serve 10,000 or fewer persons (small systems). Thus, the highest ranking small water system projects that will be ready to proceed in that fiscal year will be selected to satisfy the minimum 15% level. In the event that there are no projects that must meet these criteria, DOH will make this portion of the fund available to all other public water systems. This will ensure that the funds are allocated as expeditiously as possible and are efficiently utilized.

#### C. Tie Breaking Procedures

The following procedure is used for the purpose of breaking ties between projects at the time of evaluation.

1. If the tie is between public water systems with service populations greater than 10,000 persons (large PWS) and public water systems with service populations of 10,000 or fewer persons (small PWS), the small systems will be given the higher priority.
2. For small PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.
3. Similarly for large PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the

percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below poverty. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.

D. By-pass procedures

The DOH will work with the highest ranked public water systems to ensure that the highest ranked projects are funded first. However, the final funding selection of drinking water projects from the priority list will be based primarily on their "readiness to proceed." If, for whatever reason, a public water system is not ready to proceed with construction in a timely fashion, the DOH may select a lower ranking project for funding based on its ability to proceed in a timely manner. This "by-pass process" is necessary to ensure that the available funds will be disbursed in a timely manner.

The DOH reserves the right to fund lower priority projects over higher priority projects if in the opinion of DOH, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and initiation of construction (e.g. DOH has not received an approved application, project is not ready to proceed, or the public water system withdraws its project for consideration). If a project must be bypassed because it has been delayed, it will be given high priority for funding as soon as it is ready and funds become available. The DOH may also raise the priority of a project on the priority list in the case of a natural disaster, such as a hurricane, floods, etc.

Currently, the DWSRF program will not be providing funding for project refinancing. Projects previously on the DWSRF list for which construction has been completed, per consultation with the Safe Drinking Water Branch; and loan application processing was not initiated prior or during construction; have been removed from the list. In order to receive DWSRF funding, all projects must comply with the DWSRF and State Environmental Review Process (SERP) prior to commencement of construction.

E. Disadvantaged Communities

In the future, the DWSRF may provide additional loan subsidies to benefit disadvantaged communities. A "disadvantaged community" is one in which the entire service area of a public water system meets affordability criteria to be determined by the State after public review and comment. At this time, it is unknown what the level of this funding will be, however it cannot exceed 30 percent of the capitalization grant for any fiscal year.

Due to the limited amount of funds available and the anticipated demand for low interest loans, the DWSRF emphasizes the financing of current construction projects addressing public health protection and compliance.

F. Fundable List of Projects

For the SFY 2003 the following projects may be funded from the SFY 2003 DWSRF Priority List based on potential available funds and readiness to proceed.

<u>DWSRF Proj No.</u>	<u>Project:</u>
DW218-0001	Honokahau Connection to Kapalua (Maui)
DW335-0002	Kunia Wells II - Nitrate Treatment Facility (Oahu)
DW130-0003	Waimea WTP Microfiltration - Phase IV (Hawaii)
DW413-0002	Wailua Homesteads Replacement Well (Kauai)
DW231-0001	Waiola Well #1 (Maui)
DW414-0001	Waimea Shaft 9 - Water Treatment Plant (Kauai)

VIII. Assurances and Proposals

A. Environmental Review

Applicants will be responsible for conducting environmental assessments as defined by Chapter 343, HRS, entitled "Environmental Impact Statements," and



outlined in "A Guidebook for the Hawaii State Environmental Review Process." The DWSRF program will review each Applicant's progress in this process. The DWSRF program reserves the right to refuse any SRF loan to any water purveyor for any reason if it feels that the proposed project has the potential to impact on the environment in ways that the purveyor has not considered or has not prepared mitigation measures for.

B. Federal Cross-Cutters

The State will ensure that all federal cross-cutters are addressed within the loan agreement prior to the finalization of the agreement. All projects seeking DWSRF assistance must have been and/or be constructed following all federal cross-cutters and other DWSRF environmental requirements.

C. Binding Commitment

Hawaii's DWSRF program will enter into binding commitments in an amount equal to the amount of each capitalization grant payment (capitalization grant less set-aside amounts) and accompanying State Match that is deposited into the Loan Fund. These commitments must be initiated within one year after receipt of each grant payment.

D. Timely Expenditure

The State will expend all funds in the DWSRF loan fund in a timely and expeditious manner.

## **Appendix A**

### **Sources of DWSRF Funds for SFY 2003**

## Appendix A

### SOURCES OF DWSRF FUNDS FOR SFY 2002 to 2003

<b>FFY 2002 DWSRF Capitalization Grant Appropriation</b>	<b>\$</b>	<b>8,052,500.00</b>	<b>\$</b>	<b>8,052,500.00</b>
Less (Total Set-Asides for FFY 2002):				
1. DWSRF Administration Fund	4%	322,100.00		
2. State Program Management	10%	805,250.00		
3. Small Systems Technical Assistance	2%	161,050.00		
4. Local Assistance and Other State Programs	15%	1,207,875.00		<u>(2,496,275.00)</u>
<b>Total FFY 2002 Federal Funds available for Loans</b>				<b>5,556,225.00</b>
Add Back Adjustments:				
Projected State Match provided by the 2002 State Legislature:		1,551,000.00		
Estimated Uncommitted DWSRF funds at June 30, 2002:		21,786,748.14		
Projected cash in from loan repayments for the period July 1, 2002 to June 30, 2003:		602,352.32		
Prior year Set-Aside Monies Returned to Loan Fund FY 2001:		0		<u>23,940,100.46</u>
<b>Total Estimated Available DWSRF Loan Funds from all Sources</b>				<b><u>\$ 29,496,325.46</u></b>

Appendix B

DWSRF Priority List of Projects  
for SFY 2003

## Appendix B

### DWSRF Priority List of Projects for SFY 2003

Priority	Points	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
1	225	DW218-0001	#218 DWS Honokohau	42	Maui DWS	Honokahau Connection to Kapalua (PWS#204): Construction of a waterline to provide water from the Kapalua water system to comply with the Surface Water Treatment Rule and Lead and Copper Rule.	in progress	\$ 70,000
2	155	DW335-0002	#335 BWS Waipahu-Ewa-Waianae	131,673	Hon BWS	Kunia Wells II-Nitrate Treatment Facility: Install nitrate treatment facility to remove nitrates from the Kunia Wells II facility.	2002 **	\$ 3,600,000
3	150	DW133-0001	#133 DWS Kukuiahaele	455	Hawaii DWS	Kukuiahaele Well "A" (Replace Waiulili Spring): Replacement source for Waiulili Spring which has atrazine and indication of possible surface water influence.	Nov 01 **	\$ 2,671,606
4	145	DW130-0003	#130 DWS South Kohala	8,872	Hawaii DWS	Waimea WTP Microfiltration - Phase IV: Microfiltration plant for compliance with Enhanced Surface Water Treatment Rule and Disinfection/Disinfectant By-product Rule.	Jun-03	\$ 10,000,000
5	140	DW413-0002	#413 DW Wailua-Kapaa	16,484	Kauai DW	Wailua Homesteads Well #3: Replacement source for well contaminated with Mercury.	Jan-03	\$ 2,500,000
6	135	DW231-0001	#231 Maunaloa	300	Molokai Ranch	Waiola Well #1: Potable water well in Kamioloa Aquifer sector to replace surface water source for Waiola O Molokai Inc.	pending funding	\$ 5,625,000
7	135	DW406-0001	#406 DW Kekaha	3,007	Kauai DW	Kekaha Well (Kapillimao Well): Replacement source for Waimea Intake which was determined to be a groundwater under the direct influence of surface water.	Mar 02 **	\$ 1,394,481
8	135	DW414-0001	#414 DW Waimea	1,867	Kauai DW	Waimea Shaft 9 - Water Treatment Plant: Treatment plant for a groundwater source under the direct influence of surface water.	Aug-01	\$ 1,300,000
9	135	DW332-0001	#332 BWS Wailua-Haleiwa	11,572	Hon BWS	Haleiwa & Wailua Well GAC: Expansion of treatment facility for the removal of DBCP, DCP, and TCP.	pending funding	\$ 7,200,000
10	135	DW331-0002	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	Waimanalo Wells III: Develop replacement well for contaminated source.	Jan-03	\$ 2,170,000

\*\* projects with funding commitment  
\* project(s) expected to be funded

## Appendix B

### DWSRF Priority List of Projects for SFY 2003

Priority	Points	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
11	130	DW105-0001	#105 DWS Honoumuli	621	Hawaii DWS	<b>Honoumuli Well "A" (Replace Akaka Falls Spring):</b> Replacement source for Akaka Falls to comply with the Lead and Copper Rule and has indication of possible surface water influence.	pending funding	\$ 2,000,000
12	125	DW103-0001	#103 DWS Ninole	146	Hawaii DWS	<b>Ninole Well "A" (Replace Chaves Spring):</b> Replacement source for Chaves Spring which has atrazine.	pending funding	\$ 2,000,000
13	125	DW139-0001	#139 DWS Niulii	226	Hawaii DWS	<b>Makapala Well (Replace Murphy Tunnel):</b> Replacement Source for Murphy Tunnel to comply with the <u>Lead</u> and Copper Rule.	Feb 02 **	\$ 1,952,142
14	120	DW109-0001	#109 DWS Pahala	1,316	Hawaii DWS	<b>Pahala Well "B" (Replace Alii Tunnel):</b> Replacement source for Alii tunnel which was determined to be a groundwater under the influence of surface water.	Feb 02 **	\$ 2,051,908
15	115	DW335-0001	#335 BWS Waipahu-Ewa-Waianae	131,673	Hon BWS	<b>Makaha Well I Radon Treatment Facility:</b> Install an aeration treatment facility, appurtenant piping and other site improvements.	Jun-04	\$ 280,000
16	110	DW367-0001	#367 BWS Mililani	34,681	Hon BWS	<b>Mililani Wells I GAC Upgrade:</b> Expansion of Granular Activated Carbon treatment facility for the removal of DBCP, DCP, and TCP.	pending funding	\$ 2,300,000
17	110	DW334-0001	#334 BWS Waipio Hts.	11,812	Hon BWS	<b>Waipio Heights III GAC:</b> Granular Activated Carbon facility to provide treatment for the removal of EDB and TCP.	pending funding	\$ 3,250,000
18	110	DW335-0003	#335 BWS Waipahu-Ewa-Waianae	131,673	Hon BWS	<b>Granular Activated Carbon Treatment System Facility for Ewa Shaft -</b> Install a GAC Treatment Facility , appurtenant piping and miscellaneous site improvements.	Jun-06	\$ 21,500,000
19	105	DW128-0001	#128 Halaula	526	Hawaii DWS	<b>Halaula Well -</b> Replacement source for Bond Tunnel to comply with the Lead and <u>Copper</u> Rule. Construction of potable water well.	Jan-03	\$ 2,200,000
20	105	DW107-0001	#107 DWS Papaikou	2,219	Hawaii DWS	<b>Kalele Mauka (Replace Kalele &amp; Papaikou Springs):</b> Replacement source for Kalele and Papaikou Springs to comply with the Lead and <u>Copper</u> Rule.	Oct 01 **	\$ 1,785,666

\*\* projects with funding commitment  
 \* project(s) expected to be funded

## Appendix B

### DWSRF Priority List of Projects for SFY 2003

Priority	Points	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
21	105	DW331-0003	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	<b>Reservoir Repair (Kuliouou, Mariner's Ridge):</b> Repair of BWS reservoirs to address contamination problems.	2001	\$ 400,000
22	105	DW331-0005	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	<b>Reservoir Repair (Manoa, Woodlawn):</b> Repair of BWS reservoirs to address contamination based on DOH Sanitary Survey report.	2002	\$ 1,000,000
23	105	DW331-0004	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	<b>Reservoir Repair (Hahione, Wilhemina, St. Louis):</b> Repair of BWS reservoirs to address microbial concerns.	2003	\$ 1,000,000
24	105	DW331-0006	#331 BWS Honolulu-Windward-Pearl Harbor	607,524	Hon BWS	<b>Reservoir Reroofing (Pearl City, Waiolu, Waimalu):</b> Reroof reservoirs to address DOH Sanitary Survey report.	2003	\$ 500,000
25	100	DW106-0001	#106 DWS Pepeekeo	1,359	Hawaii DWS	<b>Kulaimano Well "B" (Replace Maukaloa Spring):</b> Replacement source for Maukaloa Spring which is contaminated with atrazine.	pending funding	\$ 2,500,000
26	100	DW214-0006	#214 Lahaina	16,000	Maui DWS	<b>Honokahua Well "A" GAC Treatment:</b> Installation of Granular Activated Carbon Adsorption System to provide treatment for the removal of DBCP from well serving Mahinahina (Lahaina) system.	Oct-01	\$ 1,700,000
27	100	DW214-0004	#214 DWS Lahaina	16,000	Maui DWS	<b>Napili Well "A" GAC Treatment:</b> Granular Activated Carbon facility to provide treatment for the removal of DBCP.	pending funding	\$ 1,820,000
28	85	DW417-0001	*#417 Gay & Robinson	2,201	Gay & Robinson	<b>Pakala Water Tank:</b> Replace a leaking and deteriorated redwood tank.	pending funding	\$ 225,000
29	85	DW417-0003	#417 Gay & Robinson	2,201	Gay & Robinson	<b>Kaumakani Storage Tank #2 -</b> Replace a leaking and deteriorating 100,000 gallon tank.	pending funding	\$ 150,000
30	85	DW417-0002	#417 Gay & Robinson	2,201	Gay & Robinson	<b>Olokele Shaft Pipe Replacement -</b> Olokele Shaft State Well No. 5635-01, Replaces aging and leaking transite asbestos pipe with steel pipe. 800' of 10" pipe at 30 degrees slope.	Nov-02	\$ 80,000

## Appendix B

### DWSRF Priority List of Projects for SFY 2003

Priority	Points	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
31	85	DW314-0001	#314 St. Stephen's Diocesan Center	33	St. Stephen's Diocesan Center	<b>St. Stephen's 0.05 MG Water Tank:</b> Replace a leaking and deteriorating redwood tank.	pending funding	\$ 88,440
32	85	DW314-0002	#314 St. Stephen's Diocesan Center	33	St. Stephen's Diocesan Center	<b>St. Stephen's 0.005 MG Water Tank:</b> Replace a leaking and deteriorating redwood tank.	pending funding	\$ 28,000
33	85	DW413-0003	#413 DW Wailua-Kapaa	16,484	Kauai DW	<b>Akulikuli Tunnel Repairs:</b> Repairs to tunnel source which has possible indication of surface water influence.	Oct-03	\$ 1,500,000
34	75	DW234-0002	#234 DWS Kaunakakai	3,338	Maui DWS	<b>East-Central Molokai Link:</b> Installation of connection between Ualapue and Kaunakakai-Kawela Systems to improve reliability and water quality (chlorides).	Jan-03	\$ 4,000,000
35	70	DW130-0004	#130 DWS South Kohala	8,872	Hawaii DWS	<b>Waimea WTP Sludge Disposal - Phase III:</b> Sludge disposal system for compliance with Filter Backwash Recycling Rule.	Jun-02	\$ 5,000,000
36	70	DW247-0003	#247 DWS Lower Kula	2,934	Maui DWS	<b>Piholo Treatment Plant Modifications:</b> Installation of a clarifier and particle counter in an existing direct filtration plant.	pending funding	\$ 1,045,000
37	70	DW412-0002	#412 DW Puhi	1,923	Kauai DW	<b>Puhi Well No. 2 &amp; 3 CO2 Removal:</b> Installation of forced draftway aeration with the use of existing soda ash system for stabilizing the stripped water (Lead and Copper Rule).	Jul-02	\$ 200,000
38	70	DW214-0005	#214 DWS Lahaina	16,000	Maui DWS	<b>Mahinahina Treatment Plant Modifications:</b> Installation of clarifier & particle counter, traveling screen, enclosure for generator & scrubber, modifications on flocculation & presedimentation basins on existing direct filtration.	pending funding	\$ 2,295,000
39	60	DW409-0002	#409 DW Lawai-Omao	3,391	Kauai DW	<b>Omao 677 - 0.25 MG Tank:</b> Construct new 0.25 MG tank at 677.	Jul-03	\$ 900,000
40	60	DW404-0001	#404 DW Hanapepe - Eleele	4,507	Kauai DW	<b>Rehabilitation of 27" Steel Pipe, Hanapepe-Eleele Water System:</b> Rehabilitate and replace 27" pipeline (1175 LF).	Jul 02**	\$ 700,000

\*\* projects with funding commitment  
 \* project(s) expected to be funded



## Appendix B

### DWSRF Priority List of Projects for SFY 2003

Priority	Points	DWSRF Proj No.	Public Water System	Population	Owner	Project (Name and Description)	Expected Start Date	Cost
41	60	DW404-0002	#404 DW Hanapepe - Eleele	4,507	Kauai DW	Replace Pipeline at Hanapepe River Crossing and Control of Slope Failure at Hanapepe Well #3: Replace 12" main crossing Hanapepe Stream and slope control.	Jul 02**	\$ 1,500,000
42	60	DW434-0002	#434 DW Kalaheo Deep Well	5,108	Kauai DW	Kalaheo Nursery Tank Refurbish: Refurbish leaking and deteriorating tank, reroof, repair interior and exterior walls and floor.	Jul-04	\$ 300,000
43	60	DW434-0001	#434 DW Kalaheo Deep Well	5,108	Kauai DW	Kukuiolono 0.2 MG Tank Refurbish: Refurbish leaking and deteriorating tank, reroof, repair interior and exterior walls and floor.	Apr-02	\$ 400,000
44	60	DW413-0005	#413 DW Wailua-Kapaa	16,484	Kauai DW	Ornellas 0.2 MG Tank Refurbish: Refurbish leaking and deteriorating tank, reroof, repair interior walls and floor.	Apr-02	\$ 400,000
45	50	DW159-0001	#159 Matsumoto	502	Matsumoto	Kona Coastview & Kona Wonderview Subdivisions: Upgrade water system which does not meet County standards - incorporate 300 additional lots into the system.	pending funding	\$ 2,479,269
46	50	DW240-0001	#240 Hawaii Nature Center	75	Hawaii Nature Center	Hawaii Nature Center Waterline - Iao Valley: Replace 600-foot of waterline.	pending funding	\$ 8,000
47	45	DW108-0001	#108 DWS Waiohinu-Naalehu	2,225	Hawaii DWS	Waiohinu Well (Replace Mountain House Tunnel & Hao Spring): Replacement source for Mountain House Tunnel & Hao Springs which are not reliable during drought & indication of possible surface water influence.	Jan-03	\$ 2,000,000
48	45	DW220-0002	#220 DWS Nahiku	86	Maui DWS	Nahiku Tunnel Replacement: Replacement source for Nahiku Tunnel which is inadequate in size & may be susceptible to becoming a groundwater under the influence of surface water.	Jan-03	\$ 1,500,000
49	45	DW233-0001	#233 DWS Ualapue	979	Maui DWS	Ualapue Well Replacement: Installation of replacement source for Ualapue System which has increasing chloride levels and may be susceptible to becoming a groundwater under the influence of surface water.	Jan-03	\$ 2,000,000
50	45	DW154-0001	#154 DWS Hakalau-Wailea	272	Hawaii DWS	Hakalau Spring Improvement: Installation of a filtration system for spring which has possible indications of surface water influence.	Jan-03	\$ 2,370,000

## Appendix C

### DWSRF Project Rating Criteria

## Appendix C: DWSRF Project Rating Criteria

1. Projects to Correct Acute Health Problems (Only ONE problem will be credited within this category.)
    - a. Waterborne disease outbreak. 100
    - b. Surface Water Treatment Rule compliance (includes groundwater determined by DOH to be under the direct influence of surface water or GWUDI). 100
    - c. Total Coliform Rule compliance.
      - Fecal coliforms. 100
      - Total coliforms. 80
    - d. Nitrate or Nitrite. 100
    - e. Indication of possible surface water influence to a ground water source through Giardia, Cryptosporidium, microscopic particulate analyses, etc. While the evidence may not be conclusive enough for DOH to make a determination, the water utility has decided to correct this potential problem. 25
  2. Projects to Correct Chronic Health Problems (Only ONE problem will be credited within this category.)
    - a. Lead & Copper Rule (90th percentile values).
      - Lead Action Level (0.015 mg/L) exceedance. 80
      - Copper Action Level (1.3 mg/L) exceedance. 60
    - b. Organic Chemical. 80
    - c. Inorganic Chemical. 80
    - d. Project to address a currently unregulated or any other contaminant not addressed above. 60
    - e. Infrastructure improvements or replacements to provide safe drinking water. These include installation, replacement, or rehabilitation of eligible water sources, treatment facilities and processed, pumps, storage, transmission and distribution piping, and other eligible infrastructure needs. 50
-

3. Other Public Health Criteria (A maximum of 50 points can be accumulated in this category.)
  - a. All water sources serving the system are affected by the same health problem being corrected. 25
  - b. The public water system has taken interim steps to temporarily resolve the water quality problem and has committed to a definitive, long-term solution. 25
4. Incentives (A maximum of 50 points can be accumulated in this category.)
  - a. Small system ( 10,000) consolidation. Project will protect public health by supplying safe drinking water from a qualified local government or a water authority within a certified government to an existing, privately-owned public water system that demonstrates or may demonstrate non-compliance with the current or future state and federal drinking water regulations. 50
  - b. The project is required as part of a DOH compliance order.
    - Violation incurred before July 1, 1997. 25
    - Violation incurred on or after July 7, 1997. 15
  - c. Required Phase II and V monitoring is up-to-date. 10
  - d. DOH approved Cross-Connection Control program w/ testing. 10
  - e. Water Conservation Program. 10
  - f. DOH approved Wellhead Protection or Source Water Assessment program(s). 10

Note: Projects involving the refinancing of existing debt will receive a preliminary score using the same criteria as current construction projects. The preliminary score will then be divided by one thousand (1,000) to determine the refinancing project's final point total for the Priority List.

Ties: The procedure to be used for breaking ties between projects will be as follows:

1. If the tie is between public water systems with service populations greater than 10,000 persons (large PWS) and public water systems with service populations of 10,000 or fewer persons (small PWS), the small systems will be given the higher priority.
2. For small PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.
3. Similarly for large PWSs, the tie will be broken through the evaluation of the affected population's Median Household Income and the percentage below the poverty level. The higher priority will be assigned to the system with both the lowest Median Household Income and the highest percentage below the poverty level. Where this fails to clearly determine project rank, the highest priority will be assigned to the project which exhibits the highest cost per person, based on the system population.

Appendix D

Federal Capitalization Grant Payment Schedule for  
FFY 2003 and 2004.

## Appendix D

### FEDERAL CAPITALIZATION GRANT PAYMENT SCHEDULE FOR FFY 2003 and 2004

DWSRF Payments:		<----->		----->		<----->		----->	
		Fiscal Year 2003		Fiscal Year 2004					
		QTR 1	QTR 2	QTR 3	QTR 4	QTR 1	QTR 2	QTR 3	QTR 4
Total Set Asides:	2,496,275	312,034	312,034	312,034	312,034	312,034	312,035	312,035	312,035
DWSRF Loans:	5,556,225	0	0	0	0	0	1,852,075	1,852,075	1,852,075
Total for the quarter:		312,034	312,034	312,034	312,034	312,034	2,164,110	2,164,110	2,164,110
Total Ceiling:	8,052,500	312,034	624,068	936,102	1,248,136	1,560,170	3,724,280	5,888,390	8,052,500

**Appendix E**

**Affidavit of Public Notice**



MAR 29 2002

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)

) SS.

C. Asuncion

Patricia K. Reese

PATRICIA K. REESE  
Notary Public  
State of Hawaii

MAR 28 2002

IN THE MATTER OF  
State of Hawaii Notice of Publ

AFFIDAVIT OF PUBLICATION

STATE OF HAWAII )  
 ) SS.  
City and County of Honolulu )

Carrie-Ann M. Asuncion being duly sworn,  
deposes and says that she/he is a clerk, duly authorized to  
execute this affidavit of MidWeek Printing, Inc., publisher  
of MidWeek and the Honolulu Star-Bulletin, that said  
newspapers are newspapers of general circulation in the  
State of Hawaii, and that the attached notice is true notice  
as was published in the aforementioned newspapers as  
follows:

MidWeek times on

Honolulu Star-Bulletin 1 times on  
03/25/2002

And that affiant is not a party to or in any way interested in  
the above entitled matter.

C. Asuncion

Subscribed to and sworn before me this 26th day

of MARCH A.D. 2002

Patricia K. Reese

Notary Public of the First Judicial Circuit  
State of Hawaii

My commission expires October 07, 2002

Ad# 04502444

State of Hawaii  
Notice of Public Participation and Input  
on the Proposed Drinking Water Treatment  
Revolving Loan Fund (DWTRLF) Intended  
Use Plan (IUP) for The State of Hawaii Fiscal  
Year (SFY) 2003 and The Federal Fiscal Year  
(FFY) 2002 Appropriation  
(Docket No. 02-SDW-SRF-01)

Pursuant to Chapters 342 and 91, Hawaii Revised Statutes, Section 101(e) of Public Law 92-500 and the U.S. Environmental Protection Agency Regulations, 40 CFR 35.2015, notice is hereby given that a public comment period is being initiated to allow public participation and input on the proposed Intended Use Plan for SFY 2003.

The U.S. Environmental Protection Agency grants monies to the State of Hawaii annually to construct drinking water facilities and support other drinking water programs. During SFY 2003, approximately \$8,052,500 is expected to be allocated to the State of Hawaii. In order to utilize the federal and matching state revolving funds, proposed projects must be prioritized and listed in the Priority List of Projects for SFY 2003 (Appendix B of the Intended Use Plan).

Upon written request, a public hearing may be scheduled for any county. Requests for a public hearing must be received by the Safe Drinking Water Branch by April 30, 2002. If public hearings are deemed appropriate, a second public notice will be published with the date, time and location of the public hearings.

Information regarding the Intended Use Plan may be obtained by calling or writing to the Safe Drinking Water Branch Oahu address noted below. The proposed Intended Use Plan for SFY 2003 will be on file and available for review from March 25, 2002 to April 30, 2002 at the locations listed below. If, due to disability, you have special needs for commenting on the proposed Intended Use Plan, please contact the Safe Drinking Water Branch Oahu address noted below or call 586-4258 (voice) by April 30, 2002.

Oahu Safe Drinking Water Branch State Department of Health 919 Ala Moana Blvd., Rm 308 Honolulu, Hawaii 96814 Telephone: (808) 586-4258 Contact: Denise Dang	Kauai District Health Office Department of Health 3040 Umi Street Lihue, Hawaii 96766 Telephone: (808) 241-3323 Contact: Jude Schwarze
--	--

East Hawaii Environmental Health Facility Department of Health 1582 Kamehameha Avenue 110 Hilo, Hawaii 96720 Call or contact Oahu Branch for any questions or concerns.	West Hawaii Department of Health Keakealani Building 79-1020 Haukapila St., Rm. 110 Kealahou, Hawaii 96750 Telephone: (808) 322-1507 Contact: Paul Okuna
--	---

Maul District Health Office Department of Health 54 High Street Wailuku, Hawaii 96793 Telephone: (808) 984-8234 Contact: Gordon Muraoka	(SB04502444: 3/25/02)
---	-----------------------

PATRICIA K. REESE  
Notary Public  
State of Hawaii

State of Hawaii  
Notice of Public Participation and Input on the Proposed  
Drinking Water Treatment Revolving Loan Fund (DWTRLF)  
Intended Use Plan (IUP) for  
The State of Hawaii Fiscal Year (SFY) 2003 and  
The Federal Fiscal Year (FFY) 2002 Appropriation  
(Docket No. 02-SDW-SRF-01)

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Information regarding the Intended Use Plan may be obtained

by calling or writing to the Safe Drinking Water Branch Oahu address noted below. The proposed Intended Use Plan for SFY 2003 will be on file and available for review from **March 25, 2002** to **April 30, 2002** at the locations listed below. If, due to disability, you have special needs for commenting on the proposed Intended Use Plan, please contact the Safe Drinking Water Branch Oahu address noted below or call 586-4258 (voice) by **April 30, 2002.**

**Oahu**

Safe Drinking Water Branch  
State Department of Health  
919 Ala Moana Blvd., Rm 308  
Honolulu, Hawaii 96814  
Telephone: (808) 586-4258  
Contact: Denise Dang

**Kauai**

District Health Office  
Department of Health  
3040 Umi Street  
Lihue, Hawaii 96766  
Telephone: (808) 241-3323  
Contact: Jude Schwarze

**East Hawaii**

Environmental Health Facility  
Department of Health  
1582 Kamehameha Avenue  
Hilo, Hawaii 96720  
Call or contact Oahu Branch  
for any questions or concerns.

**West Hawaii**

Department of Health  
Keakealani Building  
79-1020 Haukapila St., Rm. 110  
Kealahou, Hawaii 96750  
Telephone: (808) 322-1507  
Contact: Paul Okuna

**Maui**

District Health Office  
Department of Health  
54 High Street  
Wailuku, Hawaii 96793  
Telephone: (808) 984-8234  
Contact: Gordon Muraoka

## Appendix F

### Responsive Summary

## Appendix F: Responsive Summary

### I. Public Participation Activity

Pursuant to 40 CFR 35.3150, public notice was published in the MidWeek and Honolulu Star Bulletin on March 35, 2002 to consider the proposed Drinking Water Treatment Revolving Loan Fund Intended Use Plan for the State of Hawaii Fiscal Year 2003 and Federal Fiscal Year 2002 Appropriation.

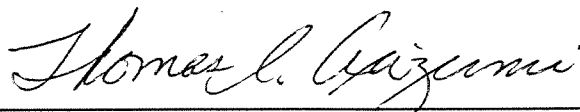
### II. Testimonies and Responses

During the period from March 25, 2002 to April 30, 2002, the Department of Health received only one written comment, from the County of Kauai, Department of Water, requesting consideration for inclusion of security programs as a category of allowable use in the Intended Use Plan.

The project eligibility categories referred to in the plan are those specified by the Environmental Protection Agency in the Federal Register for the Drinking Water State Revolving Fund program. The Department is aware of the concerns for security of the public water systems, and will take into consideration security projects and programs in evaluating future submitted projects.

### III. Summary

The solicitation of public input for this Intended Use Plan did not produce any responses which required any significant changes.



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THOMAS E. ARIZUMI, P.E., CHIEF  
Environmental Management Division



Water has no substitute.....Conserve it

W  
DD

April 30, 2002

RECEIVED  
SAFE DRINKING WATER BRANCH

MAY - 3 2002

Ms. Denise Dang  
State of Hawaii, Department of Health  
Safe Drinking Water Branch  
P.O. Box 3378  
Honolulu, Hawaii 96801-3378

Dear Ms. Dang:

Subject: Drinking Water Treatment Revolving Loan Fund Intended Use Plan

The County of Kauai, Department of Water (DOW) appreciates receipt of the subject intended use plan. We have reviewed the plan, and are in general agreement with the plan as presented. One general comment is that the plan does not address under what circumstances the Drinking Water Treatment Revolving Loan Fund (DWTRLF) funds could be used for water system security upgrades, as is allowed by the Federal Environmental Protection Agency (EPA) in response to the events of September 11, 2001. We suggest it may be appropriate to list security programs as a category of allowable use on Page 5 of the Plan.

We are returning a copy of the Intended Use Plan with our comments specific to the DOW projects shown in Appendix B. Our comments in this area are generally for purposes of making project names consistent between the Plan and the names we are using on our projects.

Once again, thanks for sending a copy of the Plan for our review. If you have any questions, please contact Ms. Kymm Solchaga of my staff at (808) 245-5455.

Sincerely,

for/ Ernest Y.W. Lau  
Manager and Chief Engineer

ET:emi  
Enclosure

BENJAMIN J. CAYETANO  
GOVERNOR OF HAWAII



BRUCE S. ANDERSON, Ph.D., M.P.H.  
DIRECTOR OF HEALTH

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. BOX 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
EMD/SDWB

May 9, 2002

Mr. Ernest Lau  
Manager and Chief Engineer  
County of Kauai  
Department of Water  
P.O. Box 1706  
Lihue, Hawaii 96766

Dear Mr. Lau:

SUBJECT: DRINKING WATER STATE REVOLVING FUND (DWSRF)  
INTENDED USE PLAN (IUP) FOR THE STATE FISCAL YEAR 2003  
AND FEDERAL FISCAL YEAR 2002 APPROPRIATION

Thank you for your April 30, 2002 letter, regarding the Department of Health's Drinking Water Treatment Revolving Loan Fund's (also known and referred to as the Drinking Water State Revolving Fund [DWSRF]) Intended Use Plan for the State of Hawaii Fiscal Year 2003 and the Federal Fiscal Year 2002 Appropriation.

We want to assure you that the Department of Health is aware of the need for improved security for all public water systems and strongly supports efforts to make them less vulnerable. Although security upgrades are not specifically identified in the EPA's DWSRF program guidelines and the DWSRF Intended Use Plan for State Fiscal Year 2003's Project Eligibility section, both the Department of Health and EPA recognize this activity is an important and appropriate use of the DWSRF. Thus, we do not feel it would be appropriate to alter the circumstances that warrant the highest priority at this time.

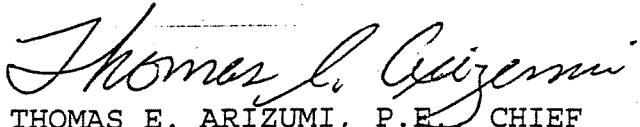
We thank you for your comments and concerns and look forward to continue working with you on future DWSRF projects. If you have any comments or questions, please feel free to contact



Mr. Ernest Lau  
May 9, 2002  
Page 2

Denise Dang of the Safe Drinking Water Branch at 586-4258 or toll free from Kauai at 274-3141, extension 64258.

Sincerely,

  
THOMAS E. ARIZUMI, P.E., CHIEF  
Environmental Management Division

DD:la

c: Wastewater Branch (w/copy of County of Kauai letter)  
✓ IUP folder (w/copy of County of Kauai letter)